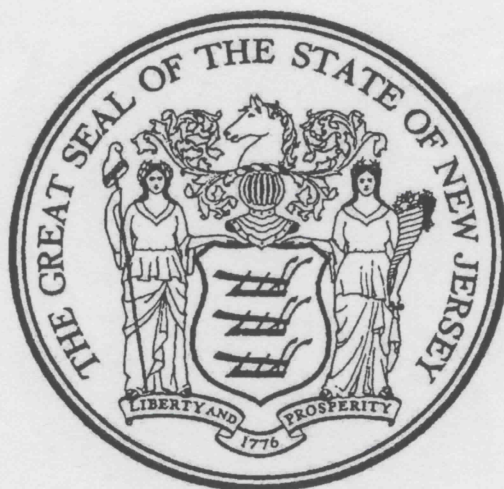


State of New Jersey
Office of the Inspector General

Mary Jane Cooper, Inspector General



2005 Annual Report



State of New Jersey
OFFICE OF THE INSPECTOR GENERAL
PO Box 208
TRENTON NJ 08625-0208

JON S. CORZINE
Governor

MARY JANE COOPER
Inspector General

September 21, 2006

Honorable Jon S. Corzine
Governor, State of New Jersey
State House
P.O. Box 001
Trenton, New Jersey 08625

Dear Governor Corzine:

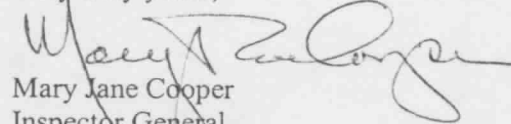
Enclosed is a copy of the Office of the Inspector General's (OIG) 2005 Annual Report. As a newly created office in February 2005, this first annual report highlights the establishment of the office, building of an office staff and infrastructure, as well as its accomplishments in its first few months, most significantly the review of the New Jersey Schools Construction Corporation.

I am honored to serve as New Jersey's Inspector General and lead this important office which is a valuable and effective resource for the State in identifying existing and potential areas of waste and abuse and recommending stronger internal controls and efficiencies where appropriate.

As required by OIG statute, a copy of this report has been sent to Senate President Richard Codey and Assembly Speaker Joseph Roberts under separate cover.

While the information in this report covers the OIG work of calendar year 2005, I want to assure you that during the last several months, the office has been hard at work on quite a few significant issues. I look forward to providing additional reports to you in the near future and continuing the work of this office in furtherance of the important goal of bringing accountability and fiscal integrity to state government.

Very truly yours,


Mary Jane Cooper
Inspector General

Cc: Stuart Rabner, Chief Counsel, Office of the Governor
Senate President Richard J. Codey, New Jersey State Senate
Speaker Joseph J. Roberts, Jr., New Jersey State Assembly

Statement from the Inspector General

It is an honor for me to submit the first annual report of the Office of the Inspector General. Looking back on the past year, I am pleased to say that it has been extremely productive. At about the same moment I was appointed as the Inspector General, I began an investigation into the New Jersey Schools Construction Corporation (SCC), which has received much attention. I knew it would be an enormous project while trying to build a staff at the same time but, as the year went by, the initial staff of three grew and today the office is staffed with experienced investigators, attorneys, auditors and certified public accountants committed to the work and mission of this office. I would be remiss if I did not thank those individuals from other State entities including the State Commission of Investigation and the Office of Government Integrity who lent their time and talent to assisting me in the early days of the office and SCC investigation.



One of the major highlights of 2005 was the passage of the legislation making the Office of the Inspector General a permanent institution for the State of New Jersey. My short experience as Inspector General has reinforced my conviction for the need for this office. There is no other office like the Office of the Inspector General – an institution that can look to assure not necessarily the absence of corruption but that taxpayer funds are being spent appropriately and efficiently. I am humbled by the opportunity to serve as New Jersey's Inspector General and look forward to the next four years of my term with great enthusiasm and optimism.

In addition to the investigative work of the office in the past year, we established a website and a 24 hour hotline which is toll-free in New Jersey for individuals to submit complaints or allegations of waste, abuse or fraud of State funds.

I hope you find the report informative and as always, please do not hesitate to contact the office with any questions or comments you have.

Very Truly Yours,

A handwritten signature in blue ink, which appears to read "Mary Jane Cooper". The signature is fluid and cursive, written over a light blue horizontal line.

Mary Jane Cooper
Inspector General

Mission of the Office of the Inspector General

The Office of the Inspector General (OIG) is dedicated to seeking out waste, mismanagement and fraud in government spending and ensuring the accountability and integrity of all state agencies. This office will review procurements and public contracts; conduct performance reviews to determine if programs are running efficiently, receive complaints, and perform investigations to make certain that programs are in compliance with State laws.

Background on the Office of the Inspector General

In November 2004, former Governor Richard J. Codey signed Executive Order No. 7 creating the OIG and on July 1, 2005, the OIG was permanently established under N.J.S.A. 52:15B-1 et seq. This office is charged with the responsibility of seeking out waste, mismanagement and fraud in government spending.

The Inspector General has the authority to establish a full-time program of audit, investigation and performance review designed to provide increased accountability, integrity and oversight of all recipients of State funds, and audit and monitor the awarding and execution of contracts awarded by the State or any of its independent authorities, commissions, boards, agencies, or instrumentalities which involve public funds.

Moreover, the Inspector General is authorized to investigate the performance of governmental officers, employees, appointees, functions, and programs in an effort to identify cost savings and to investigate complaints of alleged waste, abuse or mismanagement of State funds.

In order to carry out the duties of this office, the Inspector General has the power to issue subpoenas for documents or sworn testimony from individuals. For this purpose, the Inspector General is empowered to administer oaths and examine witnesses under oath. Failure to comply with a subpoena can lead to sanctions in the Superior Court of New Jersey.

The Inspector General has the authority to cooperate and conduct joint investigations with other law enforcement and oversight agencies. In the course of an investigation by the OIG, the Inspector General is required to forward information concerning possible criminal activity to the appropriate law enforcement agency.

The Inspector General reports directly to the Governor and any public reports issued by the OIG must be submitted to the Governor, New Jersey State Senate President, Speaker of the New Jersey General Assembly and the entity at issue. All reports of findings of the

OIG are made public once they have been submitted to the aforementioned individuals and entity.

The OIG has one office located in Trenton, New Jersey.

Who We Are

Mary Jane Cooper, Inspector General

In January 2005, Mary Jane Cooper was appointed the New Jersey Inspector General by former Governor Codey and on June 30, 2005, the New Jersey State Senate approved her appointment by a vote of 37-0.

Ms. Cooper brings more than 27 years of experience in complex litigation, investigations, and business integrity services to the OIG.

Most recently, Ms. Cooper was a member in Stier Anderson, a corporate integrity law firm based in Skillman, New Jersey, where she conducted numerous investigations in such areas as misuse of corporate assets, procurement fraud, falsification of engineering analyses, mismanagement of safety issues, conflicts of interest, discrimination and retaliation. Among those for whom Ms. Cooper has conducted these investigations are publicly traded and privately held companies engaged in a variety of businesses as well as government entities.

Ms. Cooper also led the firm's efforts in conducting independent investigations of allegations of sexual harassment and discrimination. Outside counsel has recommended Ms. Cooper to more than 20 employers to investigate these types of allegations against high-level managers, and has then used the firm's findings to resolve the matters without litigation.

Prior to her years in the private sector, Ms. Cooper served as a Deputy Attorney General in the Office of Law and Public Safety's Division of Criminal Justice from 1979 to 1989. Ms. Cooper prosecuted all manner of crimes including fraud, theft and crimes of violence.

Ms. Cooper's long list of accomplishments include authoring several published works on the reduction of litigation expenses and defenses in workplace sexual harassment and she has held training seminars in investigations and sexual harassment prevention. Ms. Cooper is a current member of the New Jersey, Mercer County and American Bar Associations.

Ms. Cooper received her J.D. from Rutgers, The State University of New Jersey School of Law, in Camden, in 1979, and earned her B.A. in English Literature from the College of New Jersey in 1967.

Investigative Staff

OIG investigative staff is composed of 12 individuals who come to the office from a variety of disciplines in both the public and private sectors. The talented investigative staff is comprised of experienced attorneys, investigators, auditors and certified public accountants.

Administrative Staff

The administrative staff consists of a Chief of Staff, Public Information Officer (PIO), Junior Analyst and Assistant to the Inspector General. These individuals provide the Inspector General and investigators with the administrative support necessary to perform the daily operations and functions of the office.

Because of the unique nature of the work of the office, it is imperative that OIG staff possess a variety of qualifications including strong analytical skills with a balanced professional skepticism and a keen eye for details as they apply to the overall environment. To that end, OIG staff is comprised of professional individuals equipped with the knowledge and skills necessary to accomplish the mission of the office.

Services

Website

Shortly after the office was established, a website was created which contains important information about the creation and mission of the office and background information about Inspector General Mary Jane Cooper as the State's Inspector General.

In addition to a section on "Frequently Asked Questions", the website contains press releases and reports issued by the OIG. One important feature of the website is the ability for constituents to file a complaint electronically in the "File a Complaint" section. Electronic complaints can be made anonymously and are automatically directed to the OIG's general email box upon submission.

Website address: www.state.nj.us/oig

Hotline

The OIG established a statewide toll-free hotline to receive complaints from individuals reporting possible waste, abuse or fraud of State money. Callers are told in the outgoing message to please submit their request or complaint in writing via mail, fax or electronically as the office requires all complaints to be received in writing. Individuals

can call the hotline 24 hours a day, seven days a week and all messages left on the hotline are promptly returned.

OIG Hotline Number: (866) 633-6585 (toll-free in New Jersey)

The PIO is responsible for the coordination of information that is contained on the website, retrieving and returning messages left on the hotline, and filing all constituent correspondence.

Correspondence/Constituent Relations

Correspondence / Constituent Relations

All correspondence whether received from an individual or forwarded from a State agency, State Legislator or the Governor's Office of Constituent Relations, are received by the Inspector General and forwarded to the PIO to be logged into the database. All correspondence are then properly acknowledged and reviewed to determine appropriate course of action.

Correspondence is received via regular U.S. mail, electronic mail submitted through the OIG website, or fax. Any phone messages left on the OIG Hotline with regard to complaints or issues are promptly returned, requesting that the information be submitted in writing via mail, fax or electronically.

Acknowledgements

With the exception of anonymous correspondence, all letters are sent an acknowledgement letter, which is copied to the file. Acknowledgement letters are typically sent out within five business days of OIG's receipt.

Review Process

Correspondence files are reviewed by the Inspector General and OIG staff. In this stage of the process, information is gathered to determine if the issue at hand is within the jurisdiction of the OIG and if not, what agency is the most appropriate to handle the issue. Any research or information gathered are documented and attached to each file. During this process, updates are given to the Inspector General and/or Chief of Staff, for advisement.

Through this preliminary review, any determination that can be made at this time, for example, not OIG's jurisdiction; not OIG's jurisdiction with referral to another agency; potential investigation of OIG; or on-going investigation of OIG – will be forwarded to the Inspector General for approval.

Declining to Investigate a Complaint

In accordance with NJSA 52:15B-10, the Inspector General may decline to investigate a complaint received when it is determined that: the complaint is trivial, frivolous, vexatious or not made in good faith; the complaint has been too long delayed to justify a present investigation; the resources available, considering established priorities, are insufficient for an adequate investigation; or the matter complained of is not within the Inspector General's investigatory authority.

Anonymous Letters

The OIG welcomes complaints or tips anonymously. This is offered to any constituent that contacts the office, who is then directed to put his or her complaint in writing. There are instances when the constituent offers contact information, but requests to be anonymous in the event an investigation is opened. Outside of those instances, anonymous letters are not acknowledged for the obvious reason that contact information is not included. These letters still undergo the same review process.

Follow-Up Procedure

Issue letters that are referred to another agency are sent with a cover letter requesting updates from that referred agency, as is required by OIG statute. These updates are attached to the file and kept in the closed files area.

Correspondence Statistics for 2005

Total Received – 327

Total Acknowledged – 285 (87% of Total Received)

Total Determination Made – 247 (76% of Total Received; 87% of Total Acknowledged)

- Not Our Jurisdiction – 37 (14.9% of Total Determination)
- Referral – 139 (56.3% of Total Determined)
- Thank You (For Information) – 53 (21.5% of Total Determined)
- Potential Issue for Investigation – 18 (7.3% of total Determined)

Difference between Total Received and Total Acknowledged

Letters were either sent anonymously and therefore could not be acknowledged or the OIG was only copied on the issue, the primary recipient being the appropriate agency to handle that specific matter. All correspondence are entered into the Constituent Tracking Database. There are a few instances where no response was needed for miscellaneous reasons. For example, in one instance, a constituent contacted the office and decided to retract the complaint and resubmit it at a future time.

Difference between Total Acknowledged and Total Determination Made

There are letters that were received by the OIG and still open, meaning they are pending a determination to be made. These issues are either still under review, part of an issue that may be associated with a current OIG investigation, or not under the purview of the Inspector General and the appropriate agency is being determined.

2005 Statistics – By Month

Month	Total Received	Total Acknowledged	Total Determined
Jan/Feb	70	47	10
March	72	52	34
April	19	34	20
May	22	21	35
June	26	22	21
July	22	25	53
August	32	29	6
September	17	15	27
October	18	14	23
November	17	16	6
December	12	10	12
TOTAL	327	285	247¹

Year in Review

Mary Jane Cooper was sworn in as Inspector General of New Jersey in February 2005 and on July 1, 2005, OIG was permanently established under N.J.S.A. 52:15B-1 et seq. Over the course of 2005, the Inspector General managed a thorough process of interviewing and hiring staff to ensure OIG was well staffed and fully operational, working to fulfill its legislative mandate to seek out waste, mismanagement and fraud in government spending. Upon being sworn in, Ms. Cooper was immediately charged with conducting a review of the New Jersey Schools Construction Corporation (SCC).

Created in 2002 through Executive Order, SCC is responsible for the financing, designing and constructing of all of the school facilities projects in New Jersey's 31 special needs districts, known as Abbott districts. Moreover, SCC is responsible for providing grants to fund the State share of school facilities projects in non-Abbott districts, projects which have been approved by the State Department of Education. Providing funding for the eligible costs in Abbott district school facilities projects was mandated by the New Jersey Supreme Court and the State allocated \$8.6 billion dollars to fund the entire SCC program.

Former Governor Richard J. Codey requested that OIG conduct a review of the SCC to determine whether the previously dispensed portion of their \$8.6 billion funding was

¹ This figure only reflects Total Determined for Calendar Year 2005. Files that have been opened in 2005 but closed in 2006 are not reflected in this figure.

dispersed in an efficient and appropriate manner and to make recommendations that could result in efficient use of the remaining funds.

During the course of the year, the Inspector General issued several reports related to the SCC investigation. Due to the large scope of the investigation and limited size of the OIG staff, all staff was assigned to some part of the SCC investigation. Listed below are the dates and titles of the SCC reports and news releases issued by OIG during 2005. Full text of these reports and accompanying news releases can be found on OIG's website: www.state.nj.us/oig

April 21, 2005 New Jersey Schools Construction Corporation Initial Report of Findings

December 21, 2005 New Jersey Schools Construction Corporation Operations Review Report: Design and Construction Division

In addition to the issuance of the reports on SCC, OIG participated in developing new procedures for the SCC and monitored compliance of the implementation of OIG recommendations. During the investigation, new management was brought into SCC and OIG has continued to work closely with the new leadership to ensure that SCC has the proper internal controls in place.

In addition to the investigation of the SCC, OIG was directed by former Governor Codey under Executive Order No. 41 to conduct a review of the internal controls and accounting procedures of nearly 50 independent state authorities, boards and commissions. Following this review, OIG will make uniform recommendations regarding internal controls in an effort to provide greater controls and accountability.

In October 2005 the Inspector General initiated this review by sending a letter to the various authorities, boards and commissions subject to Executive Order No. 41 requesting preliminary information and documents. Among the documents requested were organizational and financial policies and procedures; financial reports and assessments of internal controls for the past five years; and reports of internal investigations and corrective action plans. OIG staff initiated the review and analysis of the requested documents, and conducted interviews and site visits in accordance with the directive of Executive Order No. 41.

To answer potential questions or concerns with respect to the role OIG had in Executive Order No. 41, OIG developed a brochure, *State of New Jersey Office of the Inspector General and Executive Order #41*. These brochures were distributed to an entity when OIG commenced its review and offered contact information for the office for employees that may have issues of concern or comments that would be appropriate for OIG to review.

As also required by Executive Order No. 41, the Inspector General participated in and addressed nearly 200 representatives of the State's authorities, agencies, boards and commissions at training seminars sponsored by the Governor's Authorities Unit and the State Ethics Commission in November 2005. This major initiative provided a platform for members of each entity to learn about a variety of topics, including ethics in government, proper fiscal practices and requirements as detailed in the Federal Sarbanes-Oxley Act.

During its first year of existence, the need for OIG has become even more apparent. OIG has been requested by several authorities and state departments to conduct various types of investigations and reviews irrespective of an allegation or inquiry. OIG has also been requested to assist departments in identifying ways to strengthen their internal controls and/or find efficiencies.

The Inspector General had the opportunity to speak at a variety of events during 2005 which was an effective way for New Jersey's taxpayers to learn about OIG, the importance of its work and how it benefits the State and the taxpayers. As head of a newly-created office, organizations throughout the state have recognized the important role that the Inspector General plays in ensuring that New Jersey taxpayer dollars are being used efficiently. Inspector General Cooper has been invited to speak not only on OIG's investigations, but also on ethics in government and the importance of internal controls.

OIG aims to build upon the strong foundation the office built in 2005 and conduct more investigations and reviews which will have the greatest benefit for New Jersey and the taxpayers.

Contact Information

Office of the Inspector General
P.O. Box 208
Trenton, New Jersey 08625
609-292-8183 (phone)
609-984-3990 (fax)
866-633-6585 (hotline – toll free in New Jersey)
www.state.nj.us/oig